

**MEMO# 31340**

August 20, 2018

# **ICI Global Submits Comment Letter on the SFC's Proposed Margin Requirements for Non-Centrally Cleared OTC Derivative Transactions**

[31340]

August 20, 2018 TO: ICI Members

ICI Global Members

Derivatives Markets Advisory Committee

ICI Global Pacific Chapter

ICI Global Trading & Markets Committee SUBJECTS: Derivatives

International/Global RE: ICI Global Submits Comment Letter on the SFC's Proposed Margin Requirements for Non-Centrally Cleared OTC Derivative Transactions

ICI Global recently filed the attached comment letter responding to a Hong Kong Securities and Futures Commission ("SFC") consultation paper proposing margin requirements on non-centrally cleared over-the-counter derivative transactions.[\[1\]](#) The letter supports the consultation and its efforts to harmonize the SFC's margin requirements with other global jurisdictions. Consistent with that effort, the letter recommends that the SFC amend the proposed regulations to:

- Clarify that collective investment schemes, such as regulated funds, do not need to exchange variation margin when transacting with Hong Kong-licensed entities in physically settled foreign-exchange forwards and swaps;[\[2\]](#)
- Clarify that the minimum asset thresholds set forth in the rules apply to each regulated fund of an umbrella trust, not the entire umbrella trust; and
- Clarify how the SFC will determine whether a foreign jurisdiction is deemed "comparable" for substituted compliance purposes.

Kenneth Fang  
Assistant General Counsel

## [Attachment](#)

### **endnotes**

- [1] See SFC, *Consultation Paper on the OTC derivatives regime for Hong Kong – Proposed margin requirements for non-centrally cleared OTC derivative transactions* (June 19, 2018), available at <https://www.sfc.hk/edistributionWeb/gateway/EN/consultation/openFile?refNo=18CP5>. For a summary of the consultation paper, please see ICI Memorandum No. 31267 (June 29, 2018), available at [https://www.ici.org/my\\_ici/memorandum/memo31267](https://www.ici.org/my_ici/memorandum/memo31267).
- [2] These transactions also would include the “FX transaction” embedded in cross-currency swaps associated with the exchange of principal.

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